

Message Text

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E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
MAY 30, 1978

1. ASEAN (CONFIDENTIAL)

A. US-ASEAN

THE US-ASEAN JOINT WORKING GROUP MEETING ON DEVELOPMENT COOPERATION HAS BEEN POSTPONED TO JULY 7-8. ASEAN HAS BEEN INFORMED THAT THE SAME US TEAM AS ORIGINALLY PROPOSED WILL GO TO THE MANILA MEETING. THE ASEAN DEVELOPMENT EXPERTS WILL STILL MEET THIS WEEK AMONG THEMSELVES, SO WE WILL HAVE TIME TO REVIEW THEIR PROPOSALS BEFORE GOING TO MANILA. ON THE BASIS OF PRELIMINARY PAPERS RECEIVED FROM THE PHILIPPINE GOVERNMENT, WE CAN EXPECT THAT DEVELOPING A MEANINGFUL DEVELOPMENT COOPERATION PROGRAM WILL ENTAIL A PROTRACTED
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PROCESS.

THE GOP COORDINATOR WAS ENTHUSIASTIC ABOUT THE US ILLUSTRATIVE DRAFT AGENDA FOR THE MINISTERIAL AND PROMISED TO PLACE IT ON THE AGENDA OF THE ASEAN STANDING COMMITTEE WHICH MEETS IN BANGKOK ON JUNE 5-6.

OPIC HAS DECIDED TO SEND ITS FIRST INVESTMENT MISSION THIS YEAR TO ASEAN. WE WILL BE WORKING WITH OPIC ON THE PREPARATIONS. OPIC KNOWS THAT WE WISH TO FOLD THIS INTO

THE MINISTERIAL ACHIEVEMENTS.

THE US REPLY TO SECRETARY ROMULO'S NOTE ON USING THE GOP AS OFFICIAL CONTACT POINT WAS DELIVERED BY TOUSSAINT. WE PROMISED TO DO SO BUT RESERVED OUR RIGHT TO HAVE INFORMAL CONTACTS WITH OTHER MEMBERS ON ASEAN MATTERS.

THE US GSP TEAM, WHICH HELD SEMINARS AT THE ASEAN TRADE FAIR IN MANILA AND SUBSEQUENTLY IN SINGAPORE, KUALA LUMPUR, AND HONOLULU, REPORTS HIGHLY SUCCESSFUL MEETINGS, LARGE NUMBER OF PARTICIPANTS AND APPRECIATIVE RECEPTION BY THE GOVERNMENTS AND THE PRIVATE SECTOR.

AS TO BE EXPECTED, THE US REPLIES TO THE 11 ASEAN MEMORANDA ARE LEAKING. THE SINGAPORE STRAITS TIMES CARRIED A CRITICAL STORY ON US GSP BASED ON OUR PAPER.

B. ASEAN MEETINGS

IN ADDITION TO THE STANDING COMMITTEE MEETING ON JUNE 5-6 IN BANGKOK, THE ECONOMIC MINISTERS WILL MEET ON THE SAME DATES IN JAKARTA. PRINCIPAL AGENDA TOPICS WILL BE THE ADDITION OF 760 ITEMS TO THE PREFERENTIAL TRADING CONFIDENTIAL

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ARRANGEMENT, RECOMMENDED GUIDELINES ON INDUSTRIAL COMPLEMENTATION AND THE FIVE ASEAN INDUSTRIAL PROJECTS.

THE ANNUAL FOREIGN MINISTERS MEETING IS TO BE HELD JUNE 14-16 IN PATTAYA.

C. ASEAN MEETINGS WITH THIRD COUNTRIES

THE EC-ASEAN JOINT STUDY GROUP MEETING IN BANGKOK, MAY 18-19, WAS SUCCESSFUL ENOUGH FOR SCHEDULING A MINISTERIAL MEETING IN NOVEMBER, TENTATIVELY SET FOR BRUSSELS. TRADE ISSUES WERE IN THE FOREFRONT OF DISCUSSIONS. THE EC APPARENTLY GAVE LITTLE BUT PROMISED NOT TO BECOME MORE PROTECTIONIST. STABEX WILL BE STUDIED FURTHER AND WILL MOST LIKELY BE RAISED BY ASEAN AT THE MINISTERIAL. ASEAN WAS QUITE PLEASED WITH EC OFFERS ON TRADE PROMOTION AND DISCUSSIONS ON INDUSTRIAL COOPERATION LEADING TO A SECOND INDUSTRIAL CONFERENCE IN JAKARTA DURING 1979 ALSO WENT WELL. EC ALSO PROPOSED SIGNIFICANT FINANCING OF AID PROJECTS.

A MEETING OF THE ASEAN FOREIGN MINISTERS WITH JAPANESE FOREIGN MINISTER SONODA IS SCHEDULED AT PATTAYA ON JUNE 17

FOLLOWING THE ASEAN FOREIGN MINISTERS' MEETING. ACCORDING TO ASEAN SOURCES THE DISCUSSION IS TO CENTER ON PRIME MINISTER FUKUDA'S AID PLEDGES. AN ASEAN-JAPAN EXPERTS

GROUP MEETING ON STABEX SCHEDULED FOR MAY 29-30 HAD TO BE POSTPONED INDEFINITELY BECAUSE IT CONFLICTED WITH ASEAN PREPARATIONS FOR DEVELOPMENT COOPERATION WITH US.

A CONFERENCE ON INDUSTRIAL COOPERATION BETWEEN AUSTRALIA AND ASEAN WILL BE HELD IN MELBOURNE, JUNE 19-21.

2. HOUSE APPROPRIATIONS COMMITTEE REPORTS FY 79
APPROPRIATIONS BILL (LIMITED OFFICIAL USE)
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ON MAY 25, THE HOUSE APPROPRIATIONS COMMITTEE REPORTED OUT THE FY 79 FOREIGN ASSISTANCE APPROPRIATIONS BILL. THE BILL IS SCHEDULED FOR HOUSE FLOOR ACTION ON JUNE 15. THE FULL COMMITTEE DEFEATED TWO AMENDMENTS OFFERED BY REP. LONG, CHAIRMAN OF THE FOREIGN OPERATIONS SUBCOMMITTEE, TO CUT THE IFI ACCOUNTS. BOTH REP. LONG AND REP. YOUNG INDICATED THEY MAY PROPOSE FLOOR AMENDMENTS TO REDUCE THE IFI'S AND TO BAN INDIRECT AID TO SUCH COUNTRIES AS VIETNAM, CAMBODIA, ANGOLA AND CUBA RESPECTIVELY. IN ADDITION THE PRESENT BILL CONTAINS LANGUAGE RESTRICTING US ASSISTANCE TO DEVELOPMENT OF CERTAIN, UNNAMED, COMMODITIES IN SURPLUS ON THE WORLD MARKET. REP. LONG HAS INDICATED HE MAY OFFER A REPLACEMENT AMENDMENT RESTRICTING ASSISTANCE TO SPECIFIC COMMODITIES, I.E. STEEL, PALM OIL, TEXTILES. THE ADMINISTRATION HAS DECIDED TO OPPOSE THE AMENDMENTS CURRENTLY IN THE HOUSE BILL, IN THE SENATE.

3. SECTION 911 (UNCLASSIFIED)

OUTCOME OF MAY 25 HOUSE WAYS AND MEANS COMMITTEE MEETING ON SECTION 911 WAS TO ASK A SUBCOMMITTEE TO DRAFT A BILL FOR FULL COMMITTEE CONSIDERATION IN TWO WEEKS. THE OBJECTIVE IS A QTE FINAL UNQTE RESOLUTION OF 911 ISSUE, I.E. A BILL ALONG THE LINES (PERHAPS SOMEWHAT LESS BURDENSOME) OF THE RIBICOFF OR ADMINISTRATION APPROACHES, NOT MERELY ANOTHER YEAR'S DELAY IN IMPLEMENTATION OF THE 1976 AMENDMENT. SINCE IT IS NOW UNLIKELY THAT A BILL CAN BECOME LAW BY JUNE 15, IRS HAS EXTENDED THIS YEAR'S FILING DEADLINE FOR US CITIZENS ABROAD BY TWO MONTHS, TO AUGUST 15.

4. RUBBER TALKS REVIEW PRODUCERS' PROPOSAL (LIMITED
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FOLLOWING A TOUR OF RUBBER PRODUCTION, PROCESSING AND MARKETING FACILITIES IN THAILAND, INDONESIA, SINGAPORE AND

MALAYSIA, REPRESENTATIVES OF RUBBER PRODUCER AND CONSUMER NATIONS, INCLUDING THE USG, HELD THREE DAYS OF CONSULTATIONS IN KUALA LUMPUR MAY 17-19. THE TALKS FOCUSED ON THE REVISED PRODUCER PROPOSAL FOR A PRICE STABILIZATION AGREEMENT LOOKING TOWARD UPCOMING NEGOTIATIONS IN NOVEMBER. THE NEW PROPOSAL REDUCES THE PROPOSED BUFFER STOCK FROM 400,000 TO 300,000 TONS, RELYING ON COMMON FUND FINANCING FOR THE ADDITIONAL 100,000 TONS. PROPOSED FINANCING ARRANGEMENTS WERE ALSO CHANGED TO CALL, IN EFFECT, FOR LARGER CONTRIBUTIONS FROM CONSUMERS. THESE CHANGES REPORTEDLY REFLECT THE PRODUCERS' EFFORTS TO ADJUST FOR INDONESIA'S APPARENT UNWILLINGNESS TO COMMIT ITS REQUIRED SHARE. OUR PROBLEMS WITH THESE CHANGES, AS WELL WITH THE EXPORT CONTROL AND VAGUE QTE OTHER MEASURES UNQTE FEATURES OF THE PROPOSAL, INDICATE THAT WE FACE HARD NEGOTIATING SESSIONS THIS FALL IF AN AGREEMENT WE CAN ACCEPT IS TO EMERGE. CONSUMER NATIONS WILL BE MEETING IN TWO SESSIONS IN JUNE AND JULY TO DEVELOP A COORDINATED POSITION, WITH A PRE-NEGOTIATION DRAFTING SESSION INVOLVING BOTH PRODUCERS AND CONSUMERS PLANNED FOR LATE AUGUST OR EARLY SEPTEMBER.

5. MTN - LDC STRATEGY (LIMITED OFFICIAL USE)

IN RESPONSE TO US MISSION GENEVA'S CABLE LAST WEEK, WHICH CONTENDED THAT THERE IS HIGH PROBABILITY THAT LDCS WILL NOT IDENTIFY WITH JULY MTN RESULT, STR HAS TAKEN LINE THAT FAULT LIES ENTIRELY WITH LDCS THEMSELVES, NOT WITH US. IN CABLE PROVIDING GUIDANCE TO US MISSION ON MEANS OF ENGAGING ACTIVE LDC PARTICIPATION IN JULY MTN SETTLEMENT, STR POINTS OUT THAT US HAS NOT RECEIVED ANY MTN CONTRIBUTION FROM AN LDC. COMMITMENTS RECEIVED TO DATE ARE CHARACTERIZED AS TOO CONFIDENTIAL

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INFORMAL AND VAGUE TO PERMIT SERIOUS CONSIDERATION OF EVEN A CONDITIONAL IMPROVEMENT OF US OFFER. POINT IS REITERATED THAT LDCS WILL NOT BE ALLOWED TO SHARE IN BENEFITS OF MTN CODES WITHOUT ASSUMING SIGNIFICANT OBLIGATIONS. US MISSION WAS IN EFFECT INSTRUCTED TO DOWNPLAY ISSUE OF SPECIAL AND DIFFERENTIAL TREATMENT AND TO EMPHASIZE CONCRETE LONG-LASTING RESULTS FROM NEGOTIATIONS.

6. STEEL TRIGGER PRICE MECHANISM (UNCLASSIFIED)

TREASURY HAS ANNOUNCED THAT, EFFECTIVE MAY 31, THE TRIGGER PRICE FOR STEEL IMPORTS THROUGH WEST COAST PORTS WILL BE RAISED 7 DOLLARS PER TON, THEREBY INCREASING THE DEGREE OF PROTECTION THAT THIS MECHANISM GIVES DOMESTIC STEEL MAKERS. THE INCREASE WAS JUDGED NECESSARY TO REFLECT JAPANESE HANDLING COST MORE ACCURATELY. AT THE SAME TIME TREASURY SOUGHT PUBLIC COMMENT ON A PROPOSAL TO REDUCE THE GREAT LAKES TRIGGER PRICE BY FROM 2-10 DOLLARS PER TON TO ALLEVIATE

AN ALLEGED TRADE DIVERSIONARY EFFECT.

7. STAINLESS STEEL FLATWARE (UNCLASSIFIED)

IN A SECTION 201 ACTION, THE US INTERNATIONAL TRADE COMMISSION REPORTED TO THE PRESIDENT MAY 8 THAT RISING IMPORTS OF STAINLESS STEEL FLATWARE, MOST OF WHICH ORIGINATE FROM JAPAN, KOREA, AND ROC, ARE CAUSING OR THREATEN SERIOUS INJURY TO THE DOMESTIC INDUSTRY. VALUE OF IMPORTS IN 1977 WAS 71 MILLION DOLLARS. USITC RECOMMENDED RELIEF IN FORM OF SUBSTANTIALLY HIGHER IMPORT DUTIES OVER A FIVE YEAR PERIOD. THE PRESIDENT HAS 60 DAYS TO DETERMINE METHOD AND AMOUNT OF RELIEF. THE USITC HAS SOUGHT PUBLIC COMMENT IN THE US AND US MISSION
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GENEVA HAS BEEN ASKED TO NOTIFY GATT CONTRACTING PARTIES AND EXPRESS USG READINESS TO CONSULT.

8. ADB TECHNICAL ASSISTANCE FOR SOUTH PACIFIC (LIMITED OFFICIAL USE)

THE ADB IS PROPOSING AN 80,000 DOLLAR GRANT TO ESCAP TO STUDY THE INDUSTRIAL POTENTIAL OF THE SOUTH PACIFIC ISLANDS. EXPANDED INDUSTRIAL ACTIVITY WOULD DIVERSIFY ECONOMIC ACTIVITY AND OFFER NEW EMPLOYMENT OPPORTUNITIES. THE SOUTH PACIFIC ECONOMIC COMMISSION WILL ALSO PARTICIPATE IN THE JOINT STUDY BY ACTING AS THE LIAISON WITH OFFICIALS OF THE FIVE TO SEVEN COUNTRIES IN WHICH THE STUDY WILL BE CONDUCTED. THE SURVEY'S SCOPE AND METHODOLOGY AIMS TO DEVELOP SMALL SCALE PROJECTS WHICH MIGHT MEET THE ISLANDS' NEEDS AND HELP STIMULATE INVESTMENT.

9. AUSTRALIAN CONTRIBUTIONS TO THE TECHNICAL ASSISTANCE SPECIAL FUND (TASF) (UNCLASSIFIED)

AUSTRALIA HAS OFFERED TO CONTRIBUTE THE EQUIVALENT OF 249,000 DOLLARS TO THE ADB TASF. THIS CONTRIBUTION WOULD BE USED ONLY FOR FINANCING THE COST OF AUSTRALIAN SERVICES AND FACILITIES. THIS WOULD RAISE AUSTRALIA'S TOTAL CONTRIBUTIONS TO ABOUT 1.2 MILLION DOLLARS.

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